



# STATISTICS IN FOCUS

## Economy and finance

1998 □ 12

ISSN 1024-4298

### GOVERNMENT AND PRIVATE SECTOR INVESTMENT IN THE EUROPEAN UNION 1980 - 1996

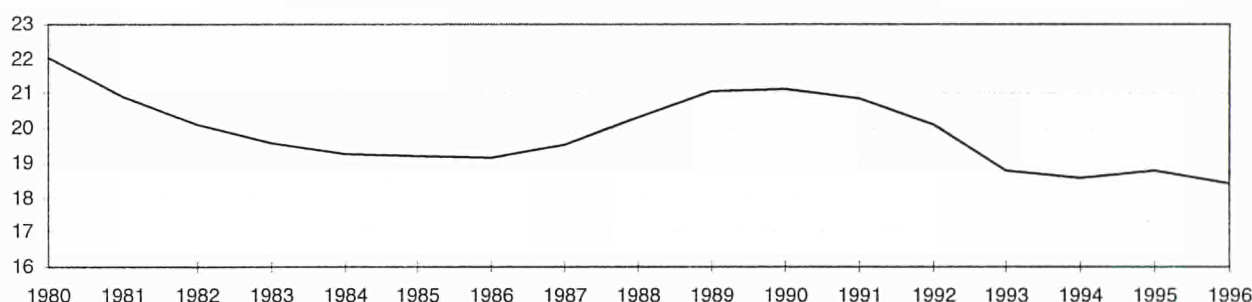
This issue of *Statistics in Focus* shows the trends in gross fixed capital formation in the private sectors of the economy (households, credit institutions, insurance enterprises etc.) and in the government sector.<sup>1</sup>

The data were collected in accordance with the European System of Integrated Economic Accounts (ESA 1979).

#### 1996: Decrease in fixed capital formation

Gross fixed capital formation (GFCF) expressed as a percentage of gross domestic product (GDP), was 0.4 percentage points lower in the EU-economies in 1996 compared to the previous year, at a level of 18.4 % of GDP. This is the lowest share registered during the period 1980-1996.

Figure 1 : Gross fixed capital formation as a percentage of GDP  
in the European Union\*, 1980-1996, in %



\*Excluding Greece and Luxembourg.

<sup>1</sup> The data shown here in abbreviated form are also to be found in the annual publication 'National Accounts ESA: Detailed Tables by Sector' and - regularly updated - in the 'New Cronos' database. Detailed information on the 'New Cronos' database is obtainable from the Eurostat Data Shops (see last page).

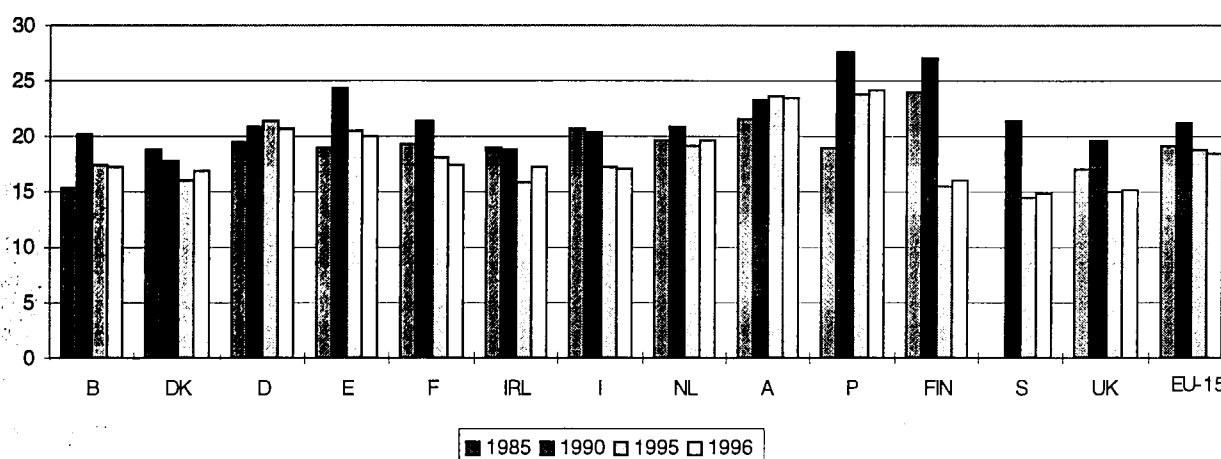
Manuscript completed on = 15.04.1998

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Price (excl. VAT) in Luxembourg: Subscription 'Statistics in focus' of all themes: ECU 348  
Subscription 'Statistics in focus' of Theme 2 'Economy and Finance': ECU 85  
Single copy: ECU 6

Catalogue number: CA-NJ-98-012-EN-C

**Figure 2 : Gross fixed capital formation as a percentage of GDP in the Member States of the European Union\*, 1985, 1990, 1995-1996**



\*Excluding Greece and Luxembourg.

Peaks during the 16 year period were in 1980 (22 % of GDP) and 1989 (21.1 %). The lowest point in the eighties was in 1985 with a value of 19.2 %.

#### Similar trends in government ...

In 1996, general government GFCF as a percentage of GDP fell by 0.2 percentage points compared with 1995 to 2.4 %, its lowest value ever registered since 1980 (Tables 1 and 3). In 1980 this value was still around 3.2 %. This was followed by a gradual decline until 1988, an increase from 1988 to 1991, and then a continuous drop over the past few years. The problems in recording GFCF (see Box 1 on page 3) should, however, be taken into account when attempting to interpret these figures.

#### ... and private sector fixed capital formation

Private sector GFCF includes all non-government GFCF, hence also GFCF by government owned enterprises such as railway companies.

In 1996, it declined by 0.2 percentage points to 16 % of GDP (Table 1). In the longer term private fixed capital formation as a percentage of GDP, too, fell from 18.9 % to 16 % between 1980 and 1996.

#### Different trends in the Member States ...

Comparing 1996 with 1995, seven out of the thirteen Member States for which data are available recorded a higher share of GFCF in GDP (Table 2). Denmark, and Ireland showed the greatest increases, at 0.8 and 1.3 % of GDP respectively.

The share in Germany fell by almost one percentage points and in Spain, France and Italy 0.3 to 0.5 points.


A comparison of the components of the percentage shares shows that, in 1996, GFCF by general government increased in Denmark and Portugal (+0.1 and 0.4 percentage points, Table 3).

**Table 1 : General government and private sector gross fixed capital formation as percentage of GDP in the EU\*, 1980-1996**

| eurostat | General government | Private Sectors | Total |
|----------|--------------------|-----------------|-------|
| 1980     | 3.2                | 18.9            | 22.0  |
| 1981     | 3.0                | 17.9            | 20.9  |
| 1982     | 2.9                | 17.3            | 20.1  |
| 1983     | 2.8                | 16.8            | 19.6  |
| 1984     | 2.7                | 16.6            | 19.3  |
| 1985     | 2.7                | 16.5            | 19.2  |
| 1986     | 2.7                | 16.5            | 19.2  |
| 1987     | 2.7                | 16.9            | 19.5  |
| 1988     | 2.6                | 17.7            | 20.3  |
| 1989     | 2.7                | 18.4            | 21.1  |
| 1990     | 2.9                | 18.2            | 21.1  |
| 1991     | 3.0                | 17.9            | 20.9  |
| 1992     | 2.9                | 17.2            | 20.1  |
| 1993     | 2.8                | 16.0            | 18.8  |
| 1994     | 2.7                | 15.9            | 18.6  |
| 1995     | 2.6                | 16.2            | 18.8  |
| 1996     | 2.4                | 16.0            | 18.4  |

\*Excluding Greece and Luxembourg

**Table 2 : Gross fixed capital formation in the Member States of the European Union\* as a % of GDP**

|  | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| B   | 20.8 | 17.6 | 17.0 | 16.0 | 15.7 | 15.3 | 15.4 | 15.7 | 17.4 | 18.7 | 20.2 | 18.7 | 18.6 | 17.5 | 17.2 | 17.3 | 17.3 |
| DK  | 18.8 | 15.7 | 16.1 | 16.0 | 17.2 | 18.7 | 20.8 | 19.7 | 18.5 | 18.5 | 17.8 | 16.9 | 15.9 | 15.3 | 15.2 | 16.0 | 16.8 |
| D   | 22.6 | 21.6 | 20.4 | 20.4 | 20.0 | 19.5 | 19.4 | 19.4 | 19.6 | 20.2 | 20.9 | 23.0 | 23.1 | 21.9 | 21.9 | 21.5 | 20.6 |
| E   | 22.0 | 21.5 | 21.0 | 20.1 | 18.3 | 19.0 | 19.3 | 20.7 | 22.5 | 24.0 | 24.3 | 23.6 | 21.7 | 19.7 | 19.7 | 20.5 | 20.1 |
| F   | 23.0 | 22.1 | 21.4 | 20.2 | 19.3 | 19.3 | 19.3 | 19.8 | 20.7 | 21.3 | 21.4 | 21.2 | 20.1 | 18.6 | 18.1 | 18.0 | 17.5 |
| IRL   | 28.6 | 29.6 | 26.5 | 23.1 | 21.4 | 19.0 | 17.6 | 16.5 | 16.8 | 17.5 | 18.8 | 17.1 | 16.6 | 15.0 | 15.5 | 15.9 | 17.2 |
| I   | 24.5 | 24.1 | 22.5 | 21.3 | 21.1 | 20.7 | 19.8 | 19.7 | 20.1 | 20.2 | 20.3 | 19.8 | 19.2 | 17.0 | 16.7 | 17.3 | 17.0 |
| NL  | 20.7 | 18.9 | 18.0 | 17.9 | 18.3 | 19.7 | 20.4 | 20.8 | 21.3 | 21.5 | 20.9 | 20.4 | 20.0 | 19.2 | 18.8 | 19.1 | 19.7 |
| A   | 25.1 | 24.8 | 22.6 | 21.2 | 20.8 | 21.5 | 21.5 | 21.9 | 22.6 | 23.0 | 23.2 | 23.9 | 23.5 | 22.7 | 23.5 | 23.7 | 23.4 |
| P   | 24.8 | 26.8 | 27.1 | 25.5 | 20.5 | 19.0 | 24.2 | 26.8 | 28.6 | 27.7 | 27.6 | 26.2 | 25.0 | 23.3 | 23.5 | 23.9 | 24.2 |
| FIN   | 25.5 | 25.3 | 25.3 | 25.6 | 24.0 | 24.0 | 23.4 | 23.9 | 25.2 | 28.0 | 27.0 | 22.4 | 18.5 | 14.8 | 14.5 | 15.5 | 16.1 |
| S   | :    | :    | :    | :    | :    | :    | :    | :    | :    | 21.9 | 21.4 | 19.3 | 16.9 | 14.2 | 13.6 | 14.5 | 14.8 |
| UK  | 18.0 | 16.2 | 16.1 | 16.0 | 17.0 | 17.1 | 17.0 | 17.8 | 19.5 | 20.5 | 19.6 | 17.0 | 15.7 | 15.0 | 14.9 | 15.0 | 15.1 |
| EU-15   | 22.0 | 20.9 | 20.1 | 19.6 | 19.3 | 19.2 | 19.2 | 19.5 | 20.3 | 21.1 | 21.1 | 20.9 | 20.1 | 18.8 | 18.6 | 18.8 | 18.4 |

\*Excluding Greece and Luxembourg.

In four Member States (Ireland, Italy, the Netherlands and Finland) it remained stable, and decreased in the other countries for which data are available. Out of the ten Member States for which data for the mid-eighties are available, only Portugal has recently achieved a larger value in its public GFCF than in 1985 (+1.4 percentage points).

The change in total private sector gross fixed capital formation in the EU (by households, non-financial enterprises, credit institutions and insurance enterprises) as a percentage of GDP was negative for the average. Drops in large Member States (Germany -0.7, France -0.5 and Italy -0.3 points) more than offset increases in other Member States. (Table 3).

#### ... and appreciable differences in level

Tables 2 and 3 show that the shares of GFCF in GDP also vary widely. The highest figures were achieved by Austria (23.4 %), Germany (20.6 %), and Portugal (24.2 %). The figures for Denmark, Finland, Sweden and the United Kingdom are under the 17 % mark.

Analysis of the components of GFCF in 1996 gives the following picture: general government GFCF amounted to less than 2 % of GDP in two Member States (Belgium at 1.2 % and the United Kingdom at

1.4 %). All other Member States except Portugal (4.1 %) showed figures between 2.2 % and 3.1 % of GDP (Table 3).

#### Box 1

##### **Gross fixed capital formation**

*According to the European System of Integrated Economic Accounts (ESA 1979), the basis for calculating the figures shown in this report, "gross fixed capital formation represents the value of durable goods .... which are acquired by resident producer units in order to be used for a period of more than one year in their process of production, including the value of any services embodied in fixed capital goods." This includes buildings, vehicles, machinery and other equipment.*

*The trends and differences in the levels of general government gross fixed capital formation may be affected by the extent of private sector financing and recording of public sector infrastructure, such as motorways run by private operators. Also, changes of institutional units from the government sector to the private (non government) sector, on which little information is available, might have played a role.*

**Table 3 : Gross fixed capital formation in the Member States of the European Union\* as a % of GDP**

|       | General government |      |      |      | Households |      |      |      | Non-financial enterprises |      |      |      | Total private sector |      |      |      |
|-------|--------------------|------|------|------|------------|------|------|------|---------------------------|------|------|------|----------------------|------|------|------|
|       | 1985               | 1990 | 1995 | 1996 | 1985       | 1990 | 1995 | 1996 | 1985                      | 1990 | 1995 | 1996 | 1985                 | 1990 | 1995 | 1996 |
| B     | 2.2                | 1.2  | 1.3  | 1.2  | 4.5        | 6.7  | 6.4  | :    | 8.2                       | 11.8 | 9.4  | :    | 13.1                 | 19.0 | 16.0 | 16.1 |
| DK    | 2.3                | 2.0  | 2.1  | 2.2  | 5.7        | 4.4  | :    | :    | 10.0                      | 10.8 | :    | :    | 16.4                 | 15.8 | 14.0 | 14.6 |
| D     | 2.3                | 2.2  | 2.4  | 2.2  | 0.3        | :    | :    | :    | 16.5                      | 18.6 | 18.8 | 18.6 | 17.3                 | 18.7 | 19.1 | 18.4 |
| E     | :                  | 5.0  | 3.6  | 3.0  | :          | :    | :    | :    | :                         | :    | :    | :    | :                    | 19.3 | 17.0 | 17.1 |
| F     | 3.1                | 3.3  | 3.2  | 3.1  | 7.0        | 7.3  | 5.8  | 5.7  | 8.7                       | 10.3 | 8.8  | 8.5  | 16.2                 | 18.1 | 14.9 | 14.4 |
| IRL   | :                  | 2.1  | 2.2  | 2.2  | :          | :    | :    | :    | :                         | :    | :    | :    | :                    | 16.8 | 13.7 | 15.0 |
| I     | 3.7                | 3.3  | 2.2  | 2.2  | 11.2       | 8.2  | 8.7  | 8.5  | 7.7                       | 9.5  | 7.0  | 7.0  | 16.9                 | 17.0 | 15.1 | 14.8 |
| NL    | 2.8                | 2.7  | 2.7  | 2.7  | 4.8        | 5.9  | 5.8  | 5.8  | 11.8                      | 12.0 | 10.4 | 10.9 | 16.8                 | 18.3 | 16.5 | 17.0 |
| A     | 3.5                | 3.2  | 2.9  | 2.8  | :          | :    | :    | :    | :                         | :    | :    | :    | 18.0                 | 20.1 | 20.3 | 20.7 |
| P     | 2.7                | 3.3  | 3.7  | 4.1  | 6.9        | 8.4  | 6.9  | :    | 8.8                       | 12.6 | 10.3 | :    | 16.3                 | 18.3 | 20.1 | 20.1 |
| FIN   | 3.5                | 3.6  | 2.6  | 2.6  | 8.8        | 9.9  | 4.8  | 4.6  | 11.3                      | 13.2 | 8.2  | 8.9  | 20.5                 | 23.4 | 12.8 | 13.4 |
| S     | :                  | 3.0  | 3.2  | 2.8  | :          | 3.2  | 1.4  | 1.5  | :                         | 14.8 | 9.8  | 10.4 | :                    | 18.4 | 11.4 | 12.0 |
| UK    | 1.9                | 2.3  | 1.8  | 1.4  | 4.5        | 5.2  | 4.1  | 4.1  | 9.7                       | 10.9 | 8.1  | 8.1  | 15.1                 | 17.3 | 13.2 | 13.7 |
| EU-15 | 2.7                | 2.9  | 2.6  | 2.4  | :          | :    | :    | :    | :                         | :    | :    | :    | 16.5                 | 18.4 | 16.2 | 16.0 |

\*Excluding Greece and Luxembourg. Private sectors with relatively small shares in GFCF (credit institutions and insurance enterprises) have not been separated out.

## Conclusion

The trends shown in this issue of *Statistics in Focus* indicate lower values for gross fixed capital formation in the 1990s in both the general government and the private sectors. Among the countries that supply data, large falls in gross fixed capital formation were recorded during the last ten years in Italy and Finland. For government gross fixed capital formation, significant drops occurred in Belgium, Italy and Finland while Portugal was the only Member State to increase its share of government investment

in GDP over the last ten years. The ratios of general government investment in GDP are the lowest in the United Kingdom and in Belgium.

In 1996, the share of gross fixed capital formation in GDP in the EU decreased due to lower private gross fixed capital formation, while the downward trend of general government investment continued. This development is strongly influenced by large Member States, whereas the trend in most of the smaller States goes in the opposite direction.

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